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**State Government & Tribal Affairs**  
**Committee**

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**HB 1641**

**Brief Description:** Concerning domestic winery licensing.

**Sponsors:** Representatives Hunt, Taylor and Pettigrew.

**Brief Summary of Bill**

- Creates separate Class A and Class B domestic winery licenses in place of a single domestic winery license.

**Hearing Date:** 1/25/12

**Staff:** Cece Clynych (786-7195).

**Background:**

**State Laws.** The term "wine" means any alcoholic beverage obtained by fermentation of fruits (grapes, berries, apples, et cetera) or other agricultural product containing sugar, to which any saccharine substances may have been added before, during, or after fermentation, and containing not more than 24 percent of alcohol by volume. This includes sweet wines fortified with wine spirits, such as port, sherry, muscatel, and angelica that do not exceed 24 percent of alcohol by volume and not less than 0.5 percent of alcohol by volume.

Washington liquor laws include the following definitions:

- "Domestic winery means a place where wines are *manufactured or produced* within the state of Washington."
- "Manufacturer means a person engaged in the preparation of liquor for sale, in any form whatsoever."

Neither the term "produce" nor any of its derivatives is specifically defined.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Washington licenses "domestic wineries". This license allows for the "manufacture of wine in Washington state from grapes or other agricultural products." This allows licensees to sell wine of their own production at retail for on or off-premises consumption, and to act as a distributor for wine of their own production. They are also permitted to serve samples at a limited number of other locations, and may sell wine for off-premises consumption at qualifying farmers markets.

**Federal Laws.** Federal liquor laws, as administered by the Department of the Treasury's Alcohol and Tobacco Tax and Trade Bureau (TTB), include the following definitions:

- "Bonded wine premises. Premises established under the provisions of this part on which operations in untaxed wine are authorized to be conducted."
- "Bonded winery. Premises established under the provisions of this part on which wine *production* operations are conducted and other authorized operations may be conducted."
- "Own production. When used with reference to wine in a bonded winery, the term means wine *produced by fermentation* in the same bonded winery, whether or not produced by a predecessor in interest at the bonded winery. The term includes wine *produced by fermentation* in bonded wineries owned or controlled by the same or affiliated persons or firms when located within the same State."

### **Summary of Bill:**

Instead of a single "domestic winery" license, two licenses are created:

- *A Class A domestic winery license allows for the production of wine* in Washington from grapes or other agricultural products. Such a licensee must produce at least 200 gallons of wine annually. A Class A winery may purchase wine for wholesale or retail sale from other Class A wineries, but such purchases do not apply to the 200 gallon production requirement. A Class A domestic winery may act as a retailer of wine produced or purchased by it. It may also act as a distributor of wine of its own production. Only a Class A winery may apply to the Liquor Control Board for an endorsement to sell wine of its own production at retail for off-premises consumption at a qualifying farmers market.
- A Class B domestic winery license allows for the purchase of wine for resale by a Class A domestic winery or a certificate of approval holder in an American viticultural area located within both Washington and an adjoining state. *A Class B license does not allow for the production of wine*, but does permit the sale of wine produced for or purchased by the Class B winery at wholesale or retail for off-premises consumption, and also permits the serving of samples of such wine at its licensed premises. A Class B winery operating as a distributor or retailer must comply with applicable laws and rules relating to distributors and retailers.

The term "*production*" is defined in statute to mean, with respect to wine, the creation of wine by fermentation in or on Class A domestic winery premises. The term includes wine produced by a predecessor in interest at such licensed premises.

Tax statutes that provide exemptions for certain qualifying property, including qualifying farmers markets as referred to in the liquor laws, are amended only to correct the reference to the appropriate section of the law.

**Appropriation:** None.

**Fiscal Note:** Requested on January 23, 2012.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.